

Message Text

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42

ACTION ARA-10

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FM AMCONSUL SALVADOR

TO AMCXNSD SAO PAULO

INFO AMEMBASSY BRASILIA

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UNCLAS SALVADOR 0071

SAO PAULO FOR O'MARA., BRASILIA FOR BEUKENKAMP.

E.O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: 1974/75 BAHIA TOBACCO REPORT.

REF: SALVADOR'S 0065, 11.01.75., SAO PAULO 1440.

1. BAHIAN TOBACCO OUTLOOK HAS BRIGHTENED SOMEWHAT FROM SITUATION REPORTED REFTEL. EXPECTED 10-0/0 DECREASE IN 1974/75 CROP DID NOT MATERIALIZE. PRODUCTION WAS IN "NORMAL" 20,000/22,000 TON RANGE, ABOUT THE SAME AS THAT REPORTED FOR THE 1973/74 CROP, WITH 85-0/0 CONSIDERED GOOD QUALITY., 10-0/0 MEDIUM., AND 5-0/0 LOW QUALITY. 1975/76 CROP IS EXPECTED TO INCREASE (PERHAPS BY 20-0/0). AND TO BE OF GOOD QUALITY IF WEATHER CONDITIONS AND RAINFALL IN THE GROWING AREAS ARE FAVORABLE.

2. AREA PLANTED IN 1974/75 ESTIMATED AT 196 MILLION SQUARE METERS, AND PRODUCTION COSTS REMAINED CONSTANT JT CRUZEIROS 0,459. BOTH ARE EXPECTED TO INCREASE BY ABOUT 20-0/0 IN 1975/76.

3. CURRENT PRICES PER ARROBA (KILOS) BEING PAID TO GROWERS ARE: MATA FINA CR100.00., MATA SUL CR90.00., MATA NORTE CR90.00., FEIRA C475.00., SERTAO PROXIMO CR50.00., AND SERTAO GROSSO C425.00. THESE REPRESENT, RESPECTIVELY, PERCENTAGE INCREASES OF 66.7-0/0., 71.43-0/0., 66.67-0/0., 54.55-0/0., AND 11.12-0/0

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OVER PRICES PREVAILING LAST YEAR. CURRENT FOB PRICES PER 100

KILOS ARE, RESPECTIVELY, US\$160.00 US\$145.00., US\$145.00., US\$120., AND MIXTURES OF THE SERTAO TYPE US\$65.00. THESE INCREASED PRICES REFLECT THE BETTER QUALITY OF THE 1974/75 CROP, RELATIVELY LOW PRODUCTION, THE ABSENCE OF STOCKS AND THE PRESENT HIGH WORLD DEMAND FOR TOBACCO.

4. 1974/75 CROP WAS VIRTUALLY ALL EXPORTED, WITH MAIN CUSTOMERS BEING SPAIN, FRANCE, HOLLAND, WEST GERMANY, NORTH AFRICA (MOROCCO, ALGERIA, TUNISIA) AND THE U.S.A. DUE TO HIGH PRICES, US BUYERS SUBSTANTIALLY REDUCED THEIR PURCHASES DURING 1974/75.

5. COMMENT: DESPITE THE EXCELLENT PERFORMANCE OF THE 1974/75 TOBACCO CROP (ALL PRODUCING COUNTRIES SOLD THEIR PRODUCTION), AND "MAGNIFICENT" PROSPECTS FOR THE 1975/76 CROP (DEMAND IS EXPECTED TO EXCEED SUPPLY), THE FUTURE OF TOBACCO HERE IS STILL UNCERTAIN; THE REASONS FOR THIS ARE:

1) PRODUCTION IS STILL DECREASING IN COMPARISON TO WORLD DEMAND (EVEN WITH THE HIGHER PRICES, WHICH SHOULD STIMULATE ADDITIONAL PRODUCTION); 2) THE EXODUS OF THE RURAL LABOR FORCE FROM THE PRODUCING AREAS TO INDUSTRIAL CENTERS IS CONTINUING., AND 3) THE SWITCHOVER TO ALTERNATE CROPS SUCH AS PINEAPPLES AND ORANGES

IS STILL OCCURRING. THESE ALTERNATE CROPS ARE STILL CONSIDERED MORE PROFITABLE (RENTABLE) DESPITE THE RISK OF LOSSES THROUGH SPOILAGE. LOCAL SOURCES INDICATED THAT RECENTLY TWO WORLD TOBACCO BUYERS (UNNAMED) EXPRESSED WILLINGNESS TO PLACE IMMEDIATE ORDERS FOR 18,000 TONS OF TOBACCO., NO DEALS WERE MADE, HOWEVER, SINCE "THERE IS JUST NO TOBACCO AVAILABLE IN THE WORLD FOR SALE" AT THE PRESENT TIME.
SLEIGHT

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